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African American Economic Security and the Role of Social Security

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July 2019

At its inception, the Social Security program did not cover most African American workers. Over time, through policy changes, the program has evolved into a critical source of income for African American families and has reduced the economic disparities between African American and white families (Veghte, Scheur, and Waid 2016). Several proposals have been offered over the past two decades to modify the program. Some proposals aim to improve benefit adequacy, because current benefits are modest and low-wage workers can still face poverty even after receiving Social Security (Reno and Lavery 2009b). Other proposals are designed to improve the program's long-term financing by reducing benefits or increasing taxes that fund Social Security. This brief looks at the program's history with respect to African Americans. It examines structural barriers in the labor market today that make economic security more challenging for African Americans and the role Social Security plays in their lives. Finally, the brief explores some proposed changes to Social Security and the effects these changes would have on the well-being of African Americans.

Background

Historical Context

The Social Security program was enacted in 1935 as part of the New Deal. The legislation has been described as color blind, meaning race did not play a role in the program design, but this description is contested. The original legislation covered only workers who were regularly employed in commerce and industry. Domestic workers and farmworkers, among other occupations, were not covered. Approximately 65 percent of African American workers were engaged in these two occupations in 1930 (DeWitt 2010). Although there is evidence for racially motivated decisions to exclude African Americans from the old-age assistance program (a means-tested program created by Title I of the Social

Security Act), historians disagree about why legislators excluded domestic and agricultural workers from old-age insurance (Title II, what is now known as Social Security). Some researchers argue that the decision to exclude these workers was racially motivated and that members of Congress from southern states wanted African American sharecroppers to remain bound to white farm owners, with no alternative to working for meager wages (Quadagno 1988; Stoesz 2016). Another position is that most African Americans were excluded from Social Security as a result of alliances among white policymakers that crossed regions and political parties, including Roosevelt's Committee on Economic Security (CES), which was responsible for designing Social Security (Poole 2006). According to this position these policymakers "shared an interest in protecting the political and economic values of whiteness" (Poole 2006, 6). Others argue that legislators excluded domestic and agricultural workers not because of racial bias, but because of administrative hurdles (Altman 2018; DeWitt 2010). These researchers cite congressional records indicating that the CES wanted all occupations covered by old-age insurance, but the Treasury Department secretary convinced members of Congress during a hearing that it was not feasible for the Internal Revenue Service to collect payroll taxes from domestic workers and farmworkers (Altman 2018).

Irrespective of whether the decision to exclude domestic workers and farmworkers from coverage was racially based, this decision created a structural barrier that resulted in a disproportionate share of African American workers being excluded from coverage, compared with white workers. Although African Americans made up 11.3 percent of the labor force in 1930, they made up 23 percent of the workers who were not covered when Social Security was enacted (DeWitt 2010).

Although the initial act provided coverage for limited occupations, Roosevelt stated that he wanted Social Security to cover all those who needed it. Upon the third anniversary of Social Security, Roosevelt said the following:

> To be truly national, a Social Security program must include all those who need its protection. Today, many of our citizens are still excluded from old-age insurance and unemployment compensation because of the nature of their employment. This must be set aright; and it will be. (Altman 2018, 29)

Legislation expanding coverage to domestic workers and farmworkers arrived years later. In 1950, President Truman signed into law the Social Security Act Amendments, which extended coverage to regularly employed farm and domestic workers (Nuschler 2016; Solomon 1986). In 1954, President Eisenhower expanded coverage to domestic workers and farmworkers not covered by the 1950 amendments.

The types of insurance coverage provided by the Social Security programs were also broadened over time. In 1939, Social Security benefits were provided to dependents and survivors of covered workers. In 1956, President Eisenhower signed legislation that created disability insurance for workers ages 50 to 64 and disabled children of retired or deceased workers (Kearney 2005/2006). Legislation enacted in 1960 made these benefits available to workers younger than 50. The 1965 amendments provided benefits to divorced spouses and widow(er)s and extended benefits to deceased and disabled workers' children up to age 22 if they were full-time students.

Today, Social Security Is Critical at Every Age

Social Security has become essential at every age for most Americans. The program has reduced poverty more than any other program. Elderly poverty rates declined from 40 percent in the 1950s to 9 percent in 2016 (Herd et al. 2018; Marchand and Smeeding 2016). But Social Security is more than a retirement program. This insurance system is the largest source of financial security available to most low- and moderate-income households and an important source of income for most households.

Social Security provides valuable insurance to millions of families. If a 30-year-old worker with typical earnings,[1] a spouse, and two young children became disabled in 2018, the family would receive benefits equivalent to those from a private disability insurance policy with a face value of $745,000. If that worker died, rather than becoming disabled, the surviving dependents would receive $725,000, including benefits for the spouse and children until the children turn 18 (or 19 if still in high school) and elderly survivor benefits when the spouse reaches old age. This level of coverage would be unaffordable for many families if they had to purchase it in the private market.

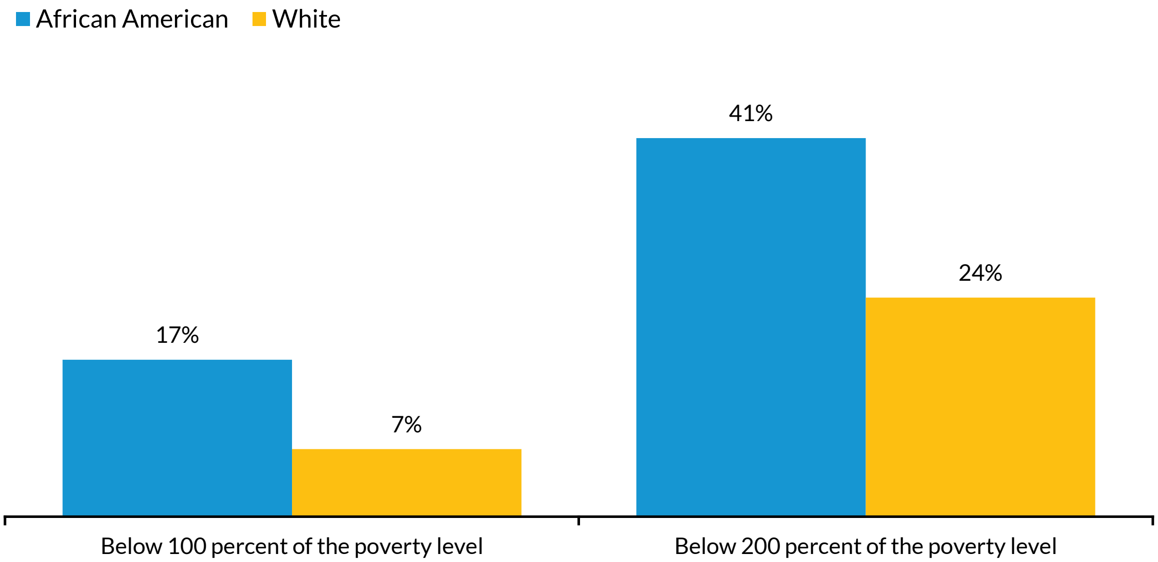
Economic Status of Elderly African Americans

Although Social Security is essential for most Americans, it is particularly important for African Americans because they are at greater risk of financial insecurity. African American seniors made up about 9 percent of the population ages 62 and older in 2016, while white seniors made up approximately 79 percent (Center for Economic and Policy Research 2016). About 17 percent of African American seniors had family incomes below 100 percent of the federal poverty level, even after receiving Social Security (figure 1).[2] This was more than twice as high as the poverty rate for white seniors. Similarly, almost twice the share of African American seniors as white seniors had family incomes below 200 percent of the poverty level.

FIGURE 1

A Higher Share of African American Than White Seniors Have Low Household Incomes

Share of individuals ages 62 and older with household incomes below the poverty level and twice the poverty level in 2016, by race



Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.3.

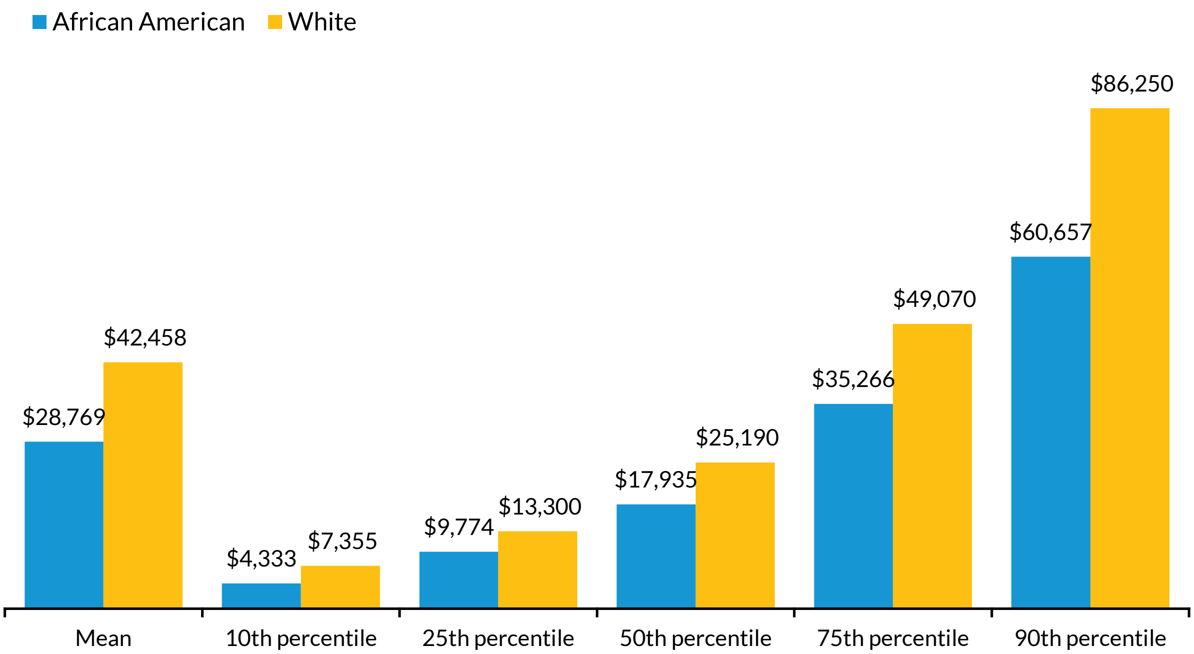
The mean income of African American seniors in 2016 was about $29,000, approximately two-thirds of the $42,000 received by white seniors (Center for Economic and Policy Research 2016).[3] The income distribution varies widely for both groups. But for each percentile, income for white seniors substantially exceeds that of African American seniors (figure 2).

The amount of income older adults received from different sources varied markedly by race, too. White seniors received about five times as much income from interest, dividends, and rental income, as well as substantially more in earnings (table 1).

FIGURE 2

African American Seniors Have Lower Per Capita Incomes Than Their White Peers

Distribution of mean per capita income of individuals ages 62 and older in 2016, by race



Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.3.
Note: Per capita income includes Social Security, Supplemental Security Income, public assistance, retirement income, interest, dividends, net rental income, and earnings.

TABLE 1

On Average, Older African Americans Have Less Cash Income Than Their White Peers

Mean annual per capita cash income by source among individuals ages 62 and older for 2016, by race

Income source	African American ($)	White ($)
Social Security income	9,280	11,610
Supplemental Security Income	620	300
Public assistance income	40	20
Retirement income	7,170	8,400
Interest, dividends, and net rental income	1,240	6,190
Total earnings	9,210	14,670
Total income	**28,770**	**42,460**

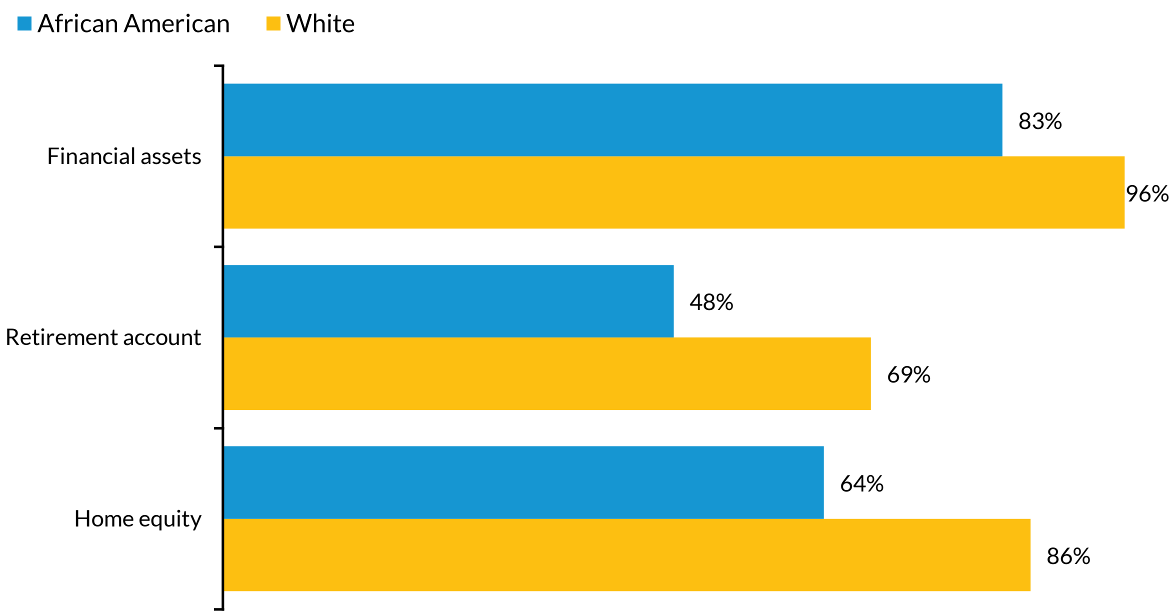
Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.3.
Note: Net rental income is captured over the past 12 months; retirement income includes retirement, survivor, or disability pensions.

It is also instructive to examine the assets seniors hold (figure 3). Assets represent the wealth or stock of resources that families can use to supplement their income flow. These assets can be used to address large expenditures or emergencies, such as health care expenses, when income is not sufficient. African American seniors are less likely to have financial assets, retirement accounts, and home equity than white seniors. And, for African Americans who do have these resources, their value is substantially less than the value of resources held by white seniors. Consequently, it is more likely that African American seniors will face financial insecurity during their retirement years.

FIGURE 3

Fewer Older African Americans Own Assets Than Their White Peers

Share of individuals ages 62 and older with assets, by asset type and race, 2015 (2015 dollars)



Source: DYNASIM3 ID912.

Notes: Retirement account assets include IRAs, Keoghs, employer DC plans, and ROTH accounts. Financial assets include savings accounts, checking accounts, money market accounts, certificates of deposits, stocks, bonds, farm and business equity, and vehicle equity, less unsecured debt.

Why do African Americans have less wealth when they reach retirement age? An examination of pension benefits sheds light on some of the systemic barriers African Americans face that can result in these disparities.

Disparities in Pension Income for African American and White Workers

When workers of color and white workers have similar circumstances, they make similar choices regarding participation in a retirement plan and contribution level. Munnell and Sullivan (2009) found no significant differences in the participation rates or contribution levels to 401(k) plans between workers of color and white workers, after controlling for job tenure, education, income, and assets. A study by the Employee Benefit Research Institute showed African American and white wage and salary workers with the same earnings levels have nearly identical participation rates (Copeland 2014). In fact, among workers earning $75,000 or more, the African American participation rate (73 percent) in retirement plans exceeds the rate for white workers (71 percent). But labor market barriers result in

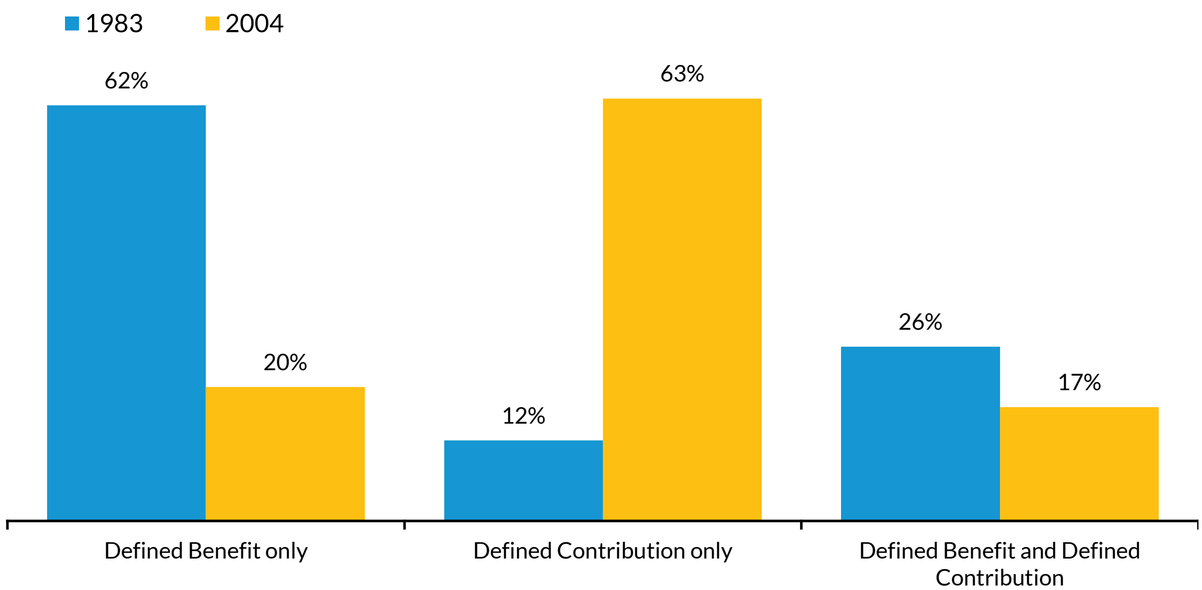
African Americans having less access to retirement plan coverage than white workers and fewer earnings from which to contribute to a plan.

Historically, and currently, approximately half of all workers had pension coverage (Munnell and Sass 2008).[4] In the past, the dominant form of pensions was defined benefit (DB) plans, which were based on a worker's wages and number of work years and were typically paid out as a guaranteed lifetime annuity when the worker retired. More recently, the dominant form of pension coverage has become defined contribution (DC) plans, which are retirement savings accounts, including 401k plans, based on how much the worker saves, any matching contribution from employers, and gains or losses from investment of the savings. Among workers with pension coverage, the share with only DB plans declined considerably between 1983 and 2004, while the share with only DC plans climbed markedly (Munnell and Sundén 2006; Poterba, Venti, and Wise 2007). And the share of pension holders with both DB and DC plans fell (figure 4).

FIGURE 4

Share of Pension Holders with Defined Contribution Plans Increased Over Time

Pension holders by type of plan, 1983–2004



Source: Munnell and Sundén 2006.

In DC plans, workers are given leeway in deciding whether to join a plan, their contribution level, investing options, and whether to cash out or roll over their plan when they change jobs. This transition in pension coverage shifts the risk from employers to workers of accurately planning how much to save for retirement and making the difficult choice between saving for the future or meeting current, pressing financial needs (Hacker 2006). The median amount of retirement plan savings held by workers ages 55–64 in 2004 was $60,000, which would have yielded an annuity of about $400 a month (Munnell and Sundén 2006). This was a relatively small amount with which to supplement Social Security.

Concern that workers were not becoming sufficiently prepared for retirement contributed to the enactment of the Pension Protection Act of 2006. In 2004, 35 percent of households in retirement did not have any pension or retirement savings income and were almost completely reliant on Social Security (Munnell and Sundén 2006). This legislation allowed employers to automatically enroll employees in retirement savings plans and use payroll deductions to achieve regular contributions to the retirement savings accounts. Workers could opt out of participation if they did not want to remain enrolled.

Among all workers with employers offering retirement plans, the share who participated increased after the Pension Protection Act was enacted, but the change was modest (Butrica, Dworak-Fisher, and Perun 2015). Between 2006 and 2013, the participation level rose from about 40 percent to about 41 percent for all workers (Copeland 2007, 2014). Participation levels among African Americans rose from almost 38 percent to over 39 percent. White workers had a higher participation rate than African American workers in 2006 (43 percent), but their participation levels increased by the same amount as those of African Americans (1.5 percentage points), bringing the white worker participation rate to almost 45 percent by 2013.

This modest impact can be explained in part by the fact that automatic enrollment affects workers with employers who offer retirement plans. It does not affect workers who lack access to a plan through their employer, nor people who work for employers that are automatically enrolling only new hires instead of all covered, nonparticipating employees. In 2006, 50 percent of all workers worked for an employer that sponsored a retirement plan. This share rose slightly to 51.3 percent in 2013. With respect to participate rates in pension plans, African American workers also saw a slight improvement from 49 to 52 percent, but white workers started with a higher participation level in 2006 (54 percent) and increased to 55 percent in 2013 (Copeland 2007, 2014).

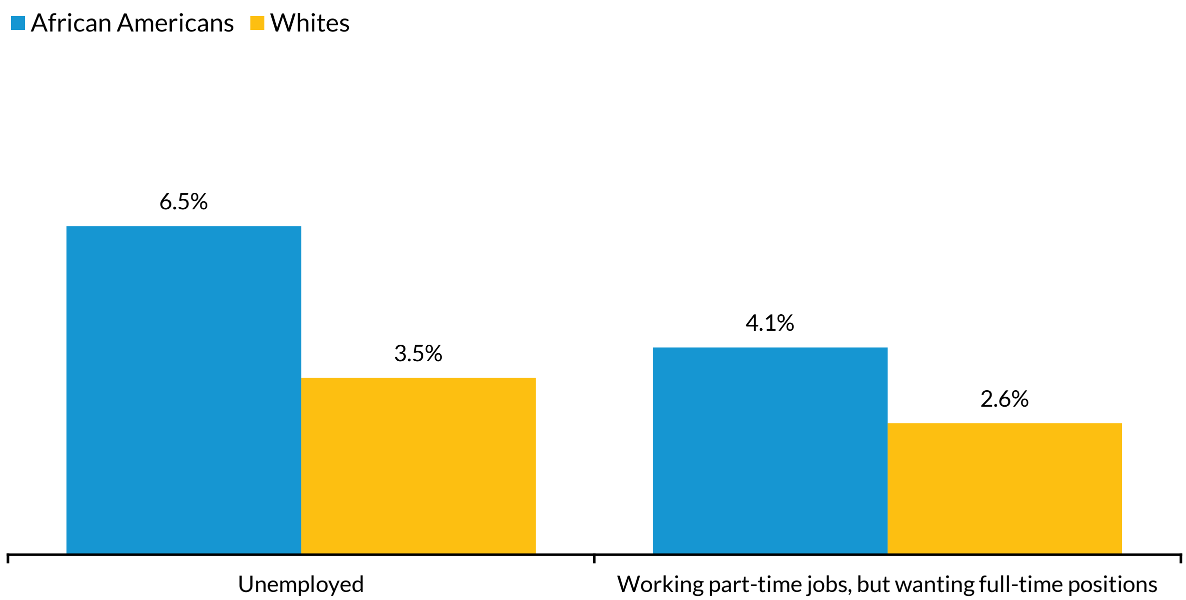
What about workers who lack access to an employer-sponsored retirement plan? African Americans are less likely to have jobs where employers offer a retirement plan (Munnell and Sullivan 2009). Disparities in the labor market are substantial. Even after controlling for education, 87 percent of US occupations are racially segregated (Hamilton, Austin, and Darity 2011). African American men are more likely to work in the service sector than the management, professional, and related sectors, and workers in the service sector are only about half as likely as workers in the management, professional, and related sectors to have access to retirement benefits through their employer (Kimbro and Mayfield 2013).[5]

In addition, disparities in the labor market mean African American workers are less likely than white workers to have job tenure and earnings levels that facilitate participation in retirement plans. In 2018 (figure 5), African American workers ages 16 and older were nearly twice as likely as white workers to face unemployment,[6] had longer unemployment periods (nearly 26 weeks on average compared with about 22 weeks, respectively),[7] and were more likely to work part-time jobs, though they wanted full-time positions.[8] Labor market barriers also contribute to lower wages for African Americans. The median weekly wage for African Americans ($694) was nearly 25 percent lower than that of their white counterparts ($916) in 2018.[9]

FIGURE 5

African Americans More Likely to Be Unemployed and Work Involuntarily Part Time

Share of labor force by race, 2018



Sources: "Table A-2. Employment Status of the Civilian Population by Race, Sex, and Age," Bureau of Labor Statistics, , https://www.bls.gov/webapps/legacy/cpsatab2.htm; "Table 8. Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino Ethnicity," Bureau of Labor Statistics, accessed March 30, 2019, https://www.bls.gov/cps/cpsaat08.pdf.

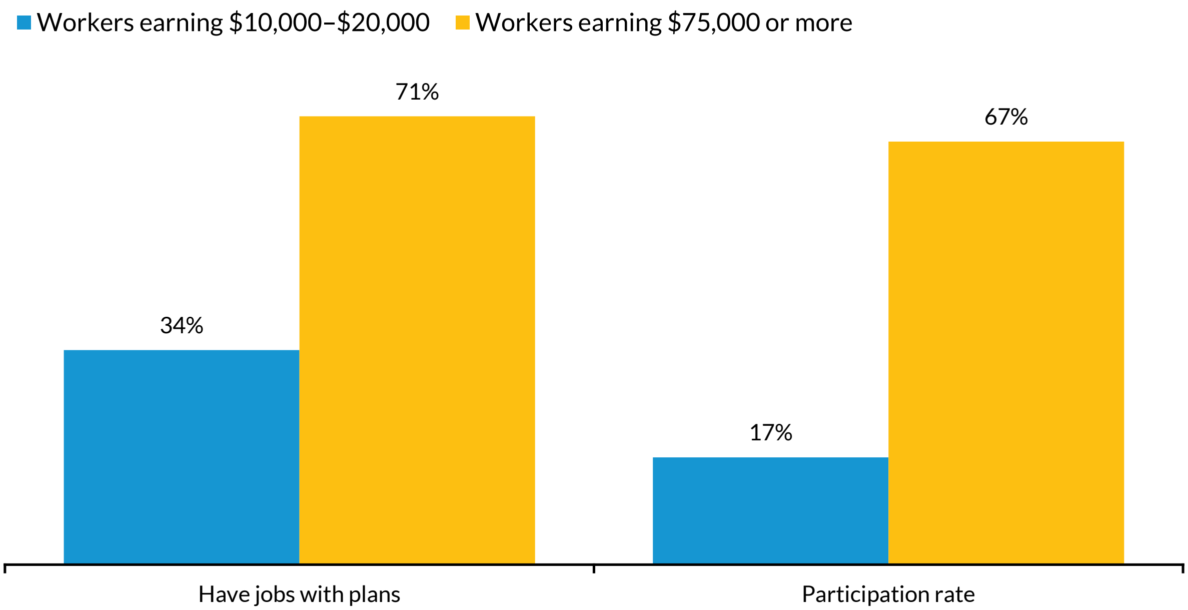
Notes: Employed people are classified as full- or part-time workers based on their usual weekly hours at all jobs regardless of the number of hours they are at work during the referenced week. People absent from work also are classified according to their usual status. Full time is 35 hours or more a week; part time is fewer than 35 hours. These data include some persons at work 35 hours or more classified by their reason for usually working part time. Involuntary part-time or part-time workers for economic reasons are people working fewer than 35 hours a week because of insufficient work, poor business conditions, or an inability to find a full-time job. See James W. Fickett, "Part Time for Economic Reasons Background," ClearOnMoney, December 9, 2009, http://www.clearonmoney.com/dw/doku.php?id=public:part_time_for_economic_reasons_background.

Part-time workers and workers with lower earnings are much less likely to have employers that sponsor retirement plans, and they have much lower participation rates. In 2013, only 34 percent of workers who were employed part time for the full year had jobs with retirement plans, compared with 59 percent of workers with full-time jobs all year (Copeland 2014). And only 18 percent of these part-time workers participated in their employers' plans compared with 52 percent of full-time workers. With respect to earnings, only one-third of lower-wage workers had jobs with retirement plans compared with two-thirds of higher-wage workers (figure 6). And the participation rate of higher-wage workers is nearly four times the rate of lower-wage workers.

FIGURE 6

Workers with Lower Earnings Are Less Likely to Have Jobs with Retirement Savings Plans or to Participate in Such Plans

Share of workers with access to employer-sponsored retirement savings plans and their participation rates, 2013



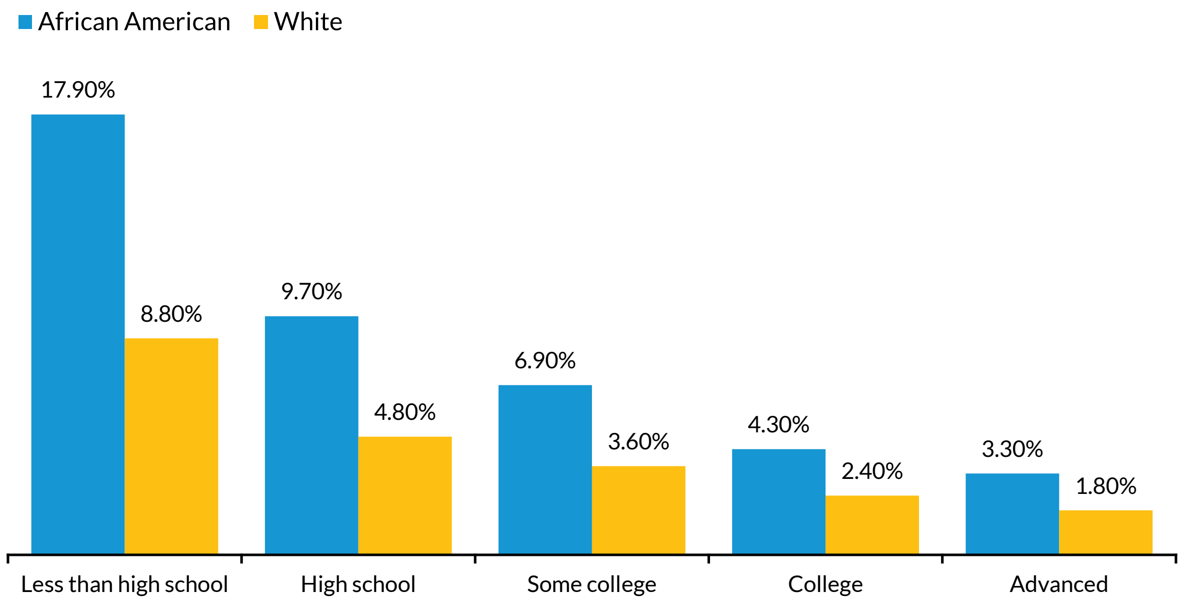
Source: Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013"(Washington, DC: EBRI, 2014).
Note: This figure includes part-time workers.

Racial disparities in labor market participation and wages are not fully explained by education or occupation. African American workers experience higher rates of unemployment than white workers at every education level (figure 7), receive lower wages at every education level (figure 8), and receive lower wages in every occupation (figure 9 and table A.1).

FIGURE 7

African American Workers Experience Higher Unemployment Than White Workers at Every Education Level

Share of full-time, full-year workers ages 25 to 64 unemployed, by race and highest education level, 2017

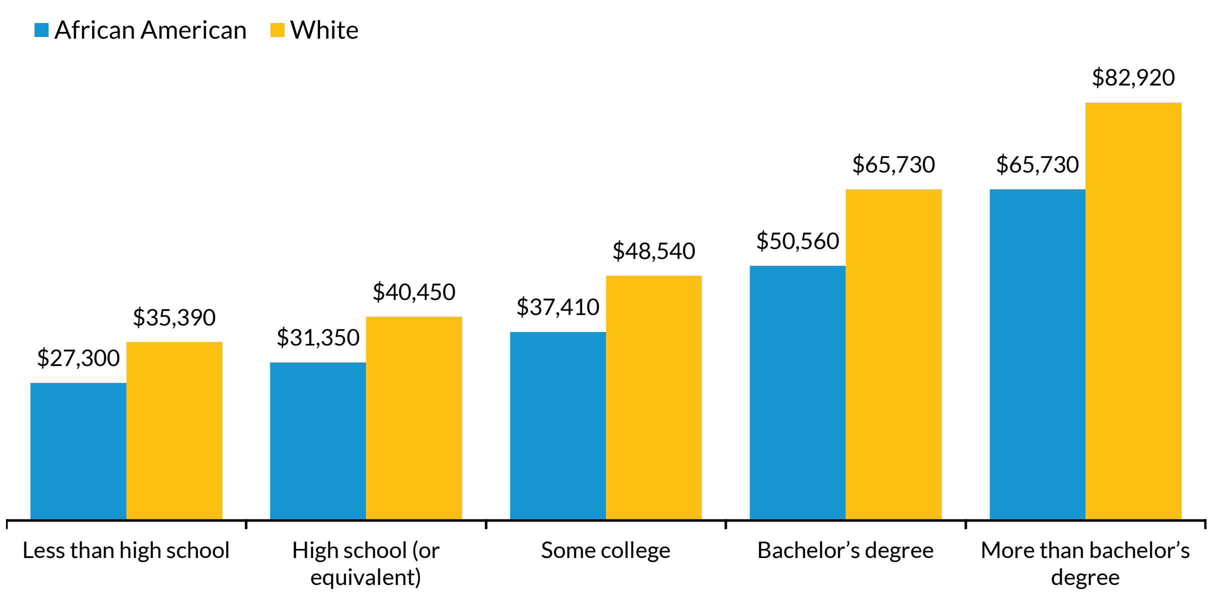


Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

FIGURE 8

African American Workers Receive Lower Wages Than White Workers at Every Education Level

Median wages for full-time, full-year workers ages 25 to 64, by race and highest degree of education, 2017

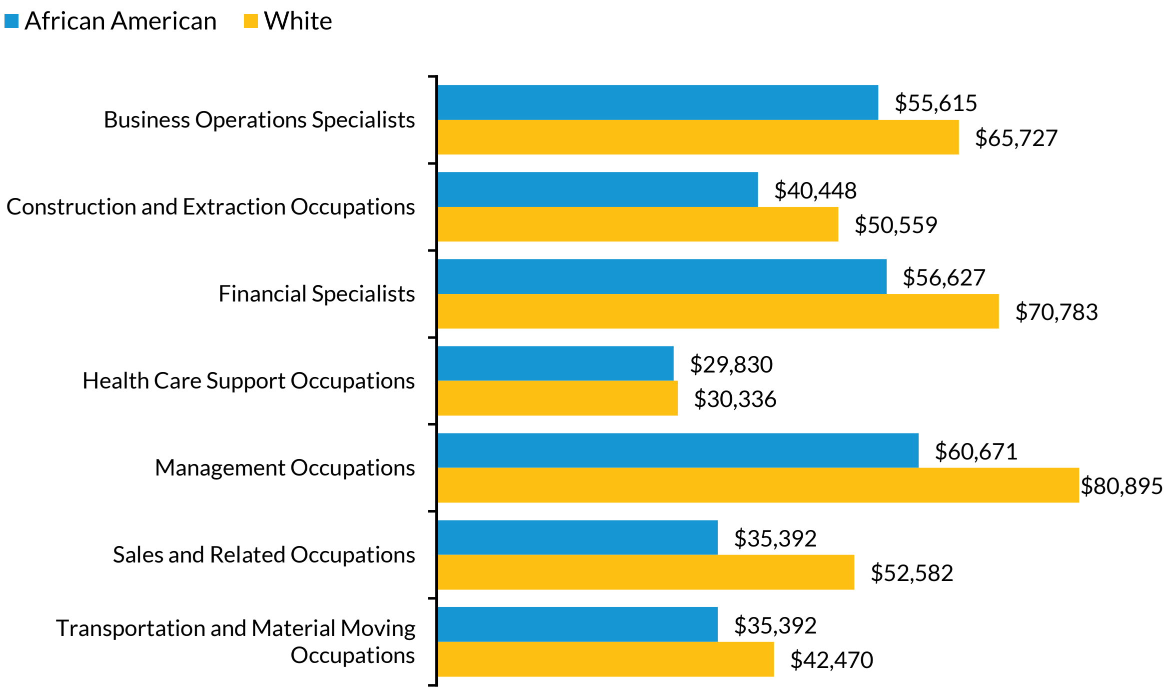


Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

FIGURE 9

African American Workers Receive Lower Wages in Every Occupation

Median annual wages of full-time, full-year workers ages 25 to 64, by race and occupation, 2017



Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

These employment and wage disparities are not the result of individual failures (Kijakazi et al. 2019). Discrimination and segregation in hiring, pay, and employment were common and largely legal practices until the 1960s, when civil rights legislation outlawed employment discrimination. And structural racism in the labor market persists today, notwithstanding the enactment of this legislation. The consequences of structural racism—higher unemployment rates, lower wages, and occupational segregation—make it harder for African Americans to obtain pension coverage or save for retirement. This increases the importance of Social Security for African American economic security.

Social Security Benefit Types and Levels for African American and White Families

In examining Social Security participation, to the extent possible, it is critical to disaggregate the information by race and gender. This helps us understand the role the program plays in different families' lives, how different families use the program, and the relative levels of benefits they receive.

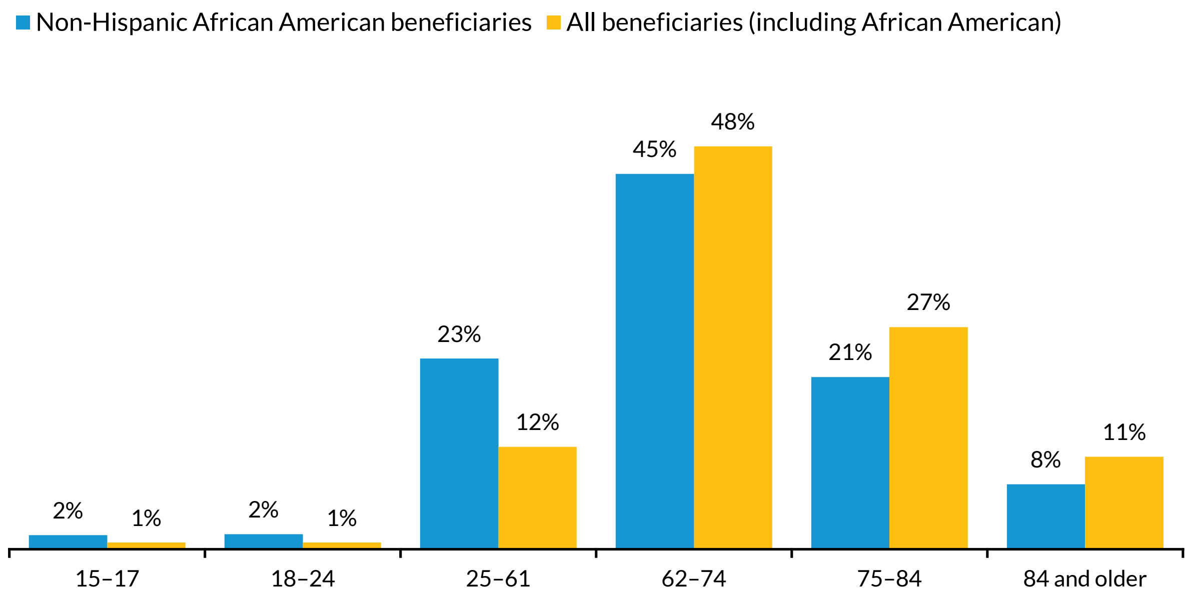
African Americans

African American beneficiaries are substantially younger than beneficiaries overall (figure 10). Approximately 27 percent of African American beneficiaries are younger than 62 (Martin and Murphy 2014). This is nearly twice the share of total beneficiaries who are under age 62 (about 14 percent).

FIGURE 10

African American Beneficiaries Are Younger Than Social Security Beneficiaries Overall

Social Security beneficiaries by age group and race, 2009



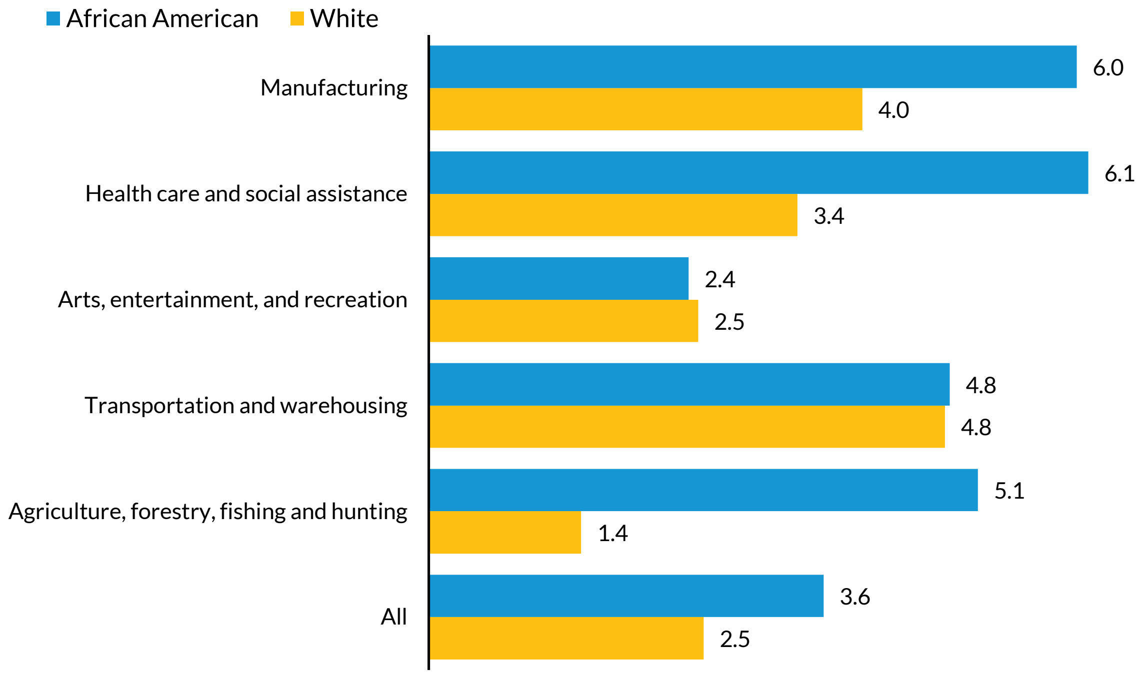
Source: Patricia P. Martin and John L. Murphy, "African Americans: Description of Social Security and Supplemental Security Income Participation and Benefit Levels Using the American Community Survey," Research and Statistics Note 2014-01 (Washington, DC: Social Security Administration, Office of Retirement and Disability Policy, 2014).

Although retirement benefits are an important part of the program for African Americans, disability or survivors' benefits play a more critical role in African American families' lives than for beneficiaries as a whole.

Why does a larger share of African American workers receive Social Security Disability Insurance (SSDI) than white workers? One of the factors determining the size and composition of the disability caseload is employment in hazardous and physically demanding occupations (McCoy, Davis, and Hudson 1994). Figure 11 shows the industries with the highest incidences of nonfatal injury and illnesses. Within these industries, African Americans experience a higher rate of injury and illness than white workers.[10] However, a relatively modest share (3.8 percent) of all SSDI beneficiaries make claims based on injury.

FIGURE 11

Number of Injuries or Illnesses per 1,000 Workers by Selected Industry and Race, 2017



Source: Authors' calculations from US Bureau of Labor Statistics (see table R38 in note 9) and US Bureau of Labor Statistics 2018 (see table 18 in note 5).

Notes: Calculations are based on the number of injuries and illnesses reported and the number of workers by race. Injury rates by race are approximations because of unreported race in table R38.

Perhaps the larger reason for racial disparities in SSDI receipt is related to social determinants of health[11]—factors in people's environments that impinge on their health.[12] Studies show that all Americans have experienced improvement in overall health over the past decades, but the disparity between the health of African American and white people persists (Assari 2018a).[13] Research shows that structural racism, including inequities in employment, wages, occupations, as well as in education, housing, and asset building, damages health and is a driver of health disparities (Assari 2018a; Jones 2000; Smedley 2007; Williams et al. 2019). Williams argues that "structural racism is the most important way through which racism affects health" (p. 107). Moreover, structural racism results in African Americans realizing fewer health gains than white people from the protective effects of increases in resources such as education and employment (Assari 2018a, 2018b). Even after adjusting for socioeconomic status, racial differences in health status persist (Williams et al. 2019). [14]

Structural racism also affects racial differences in life expectancy (Williams et al. 2019). According to the Centers for Disease Control and Prevention (Arias 2016), African Americans have a shorter life expectancy than white people both at birth and age 65 (Arias 2016; figure 12). At birth, a white baby is expected to live nearly 79 years, compared with 75 years for an African American newborn (figure 12). From 1999 to 2014 African Americans had one of the highest rates of premature death, exceeded only by Native Americans and Native Alaskans. This was the case even though from 1999 to 2014 the rate of premature death for African Americans declined while the rate for white people rose (Shiels et al. 2017). As a result, African American families are more likely to receive Social Security survivors' benefits. This gap persists but is smaller at age 65, when a white person is expected to have about 19 more years of life, while an African American is expected to live for 18 more years.

FIGURE 12

African Americans Have a Shorter Life Expectancy Than White People

Life expectancy (in years) at birth and age 65 by race, 2013–14

Source: Centers for Disease Control and Prevention (Arias 2016).

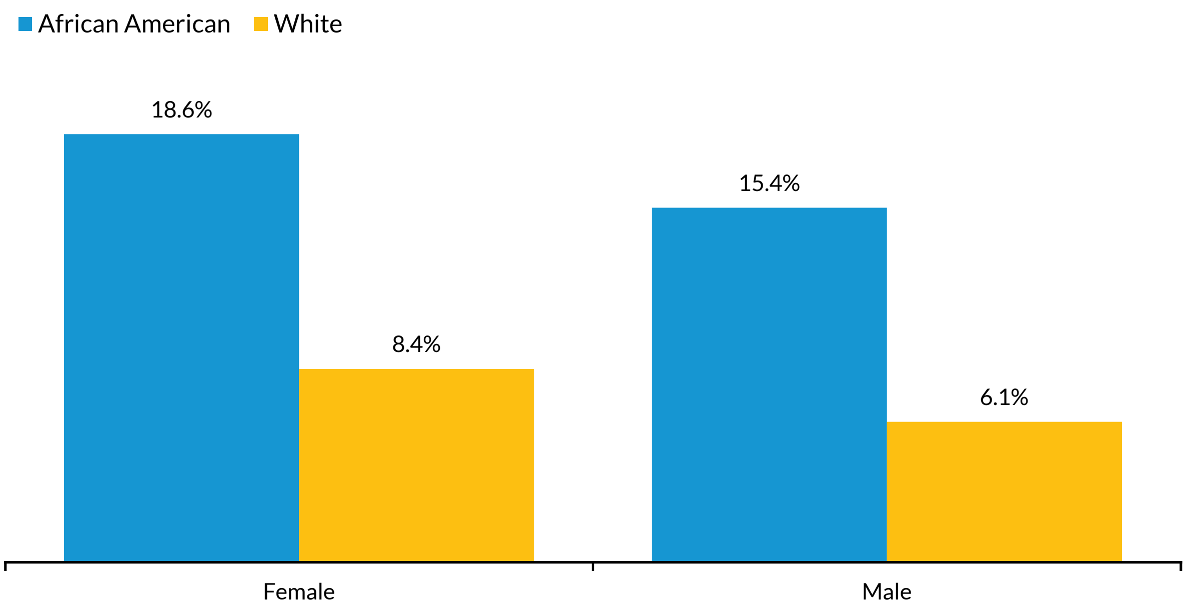
African American Women

Examining Social Security's role in women's lives is important because they are more likely to be economically insecure than their male counterparts, especially African American women. Figure 13 shows not only the disparity in poverty by race, as seen earlier, but also the substantially higher poverty rate for women than their male counterparts, with African American women experiencing the highest levels.

FIGURE 13

Elderly Women Experience Poverty at Substantially Higher Rates Than Their Male Counterparts

Percentage of individuals ages 62 and older with family income below the federal poverty level, 2016



Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.3.

Analyses of women and Social Security often focus on their marital status[15] and the fact that unmarried women[16] are less economically secure than married women (Couch et al. 2017; Favreault and Steuerle 2007). This brief contributes to the literature by focusing on women's labor market participation rather than their marital status.

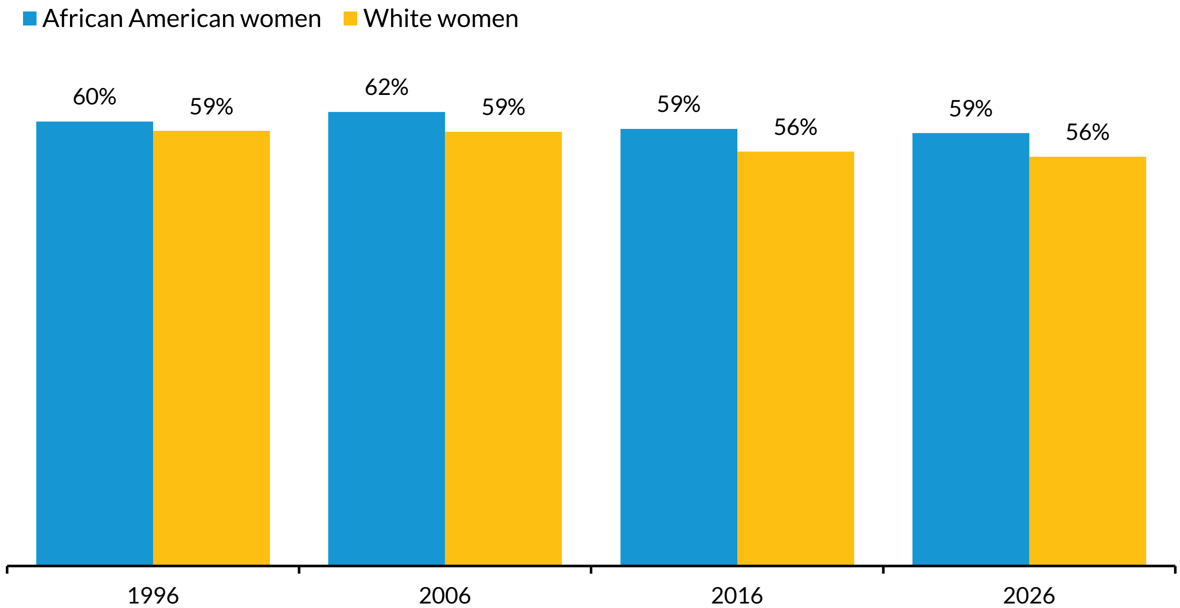
We begin with the premise that anyone who has a substantial record of participation in the labor force should not be at risk of poverty in their senior years, regardless of their marital status. Structural barriers in the labor market that result in employment and wage disparities are dysfunctions that should not result in lower economic security for workers in their senior years. However, African American women have faced structural barriers in the labor market based on both race and gender and face greater economic insecurity in their senior years than men or white women.

African American women have a long history of labor market participation, and this is projected to continue into the future.[17] Figure 14 shows that African American women have consistently had higher rates of labor force participation than white women, yet they still have higher elderly poverty rates than white women.

FIGURE 14

African American Women Have Consistently Had Higher Labor Force Participation Rates Than White Women, a Trend Projected to Continue

Civilian labor force participation rate by race and sex, 1996–2026



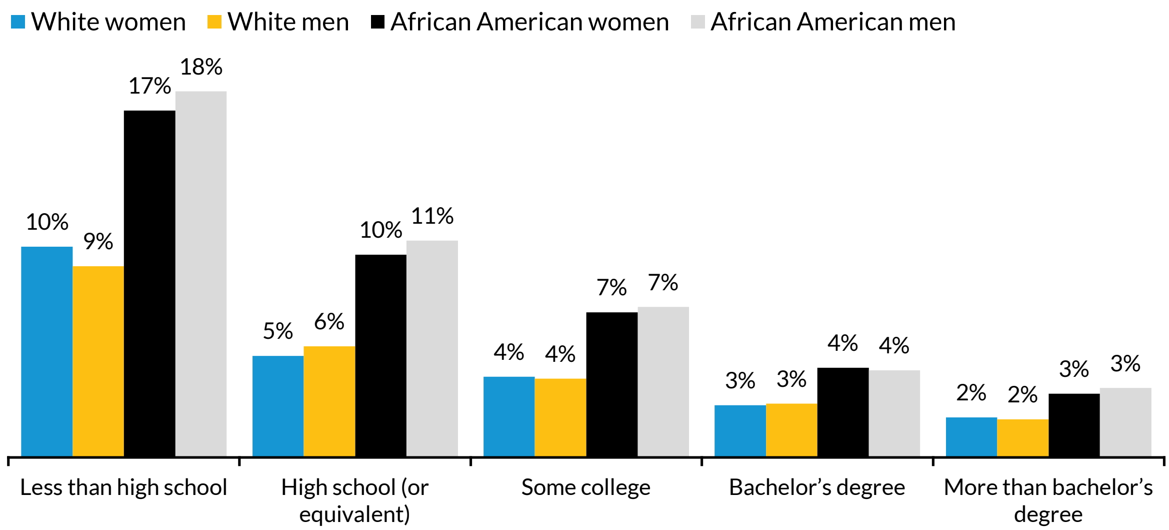
Source: "Table 3.3 Civilian labor force participation rate by age, sex, race, and ethnicity," US Bureau of Labor Statistics, accessed April 22, 2019, https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm.

Although African American women have a strong presence in the labor market, they experience unemployment and involuntary part-time employment at relatively high rates. Differences in education levels have often been viewed as the reason for racial disparities in unemployment. However, even at advanced education levels, the unemployment rate for African American women is substantially greater than that for white men (figure 15). It is also much higher than the unemployment rate experienced by white women at every education level. The rates of involuntary part-time work are highest among African American women (figure 16), and the unemployment duration is longer for African American women than white men or women (figure 17).

FIGURE 15

Unemployment Rates for African American Women Are Substantially Greater Than for White Men and Women at Every Education Level

Unemployment rates by race, gender, and highest education level for adults ages 25–64, 2017

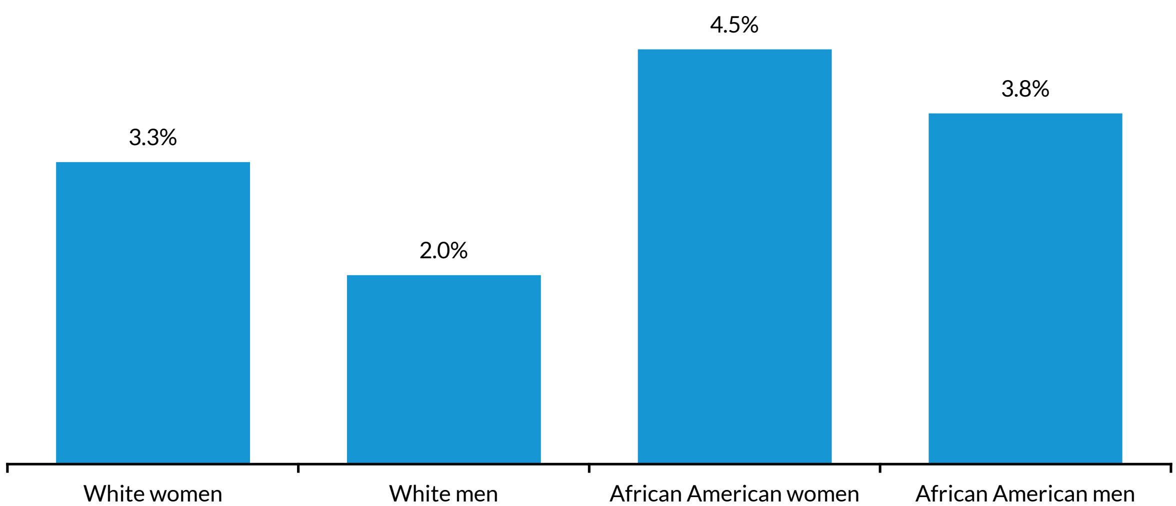


Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

FIGURE 16

Involuntary Part-Time Work Rates Highest among African American Women

Rates by race and gender, 2018



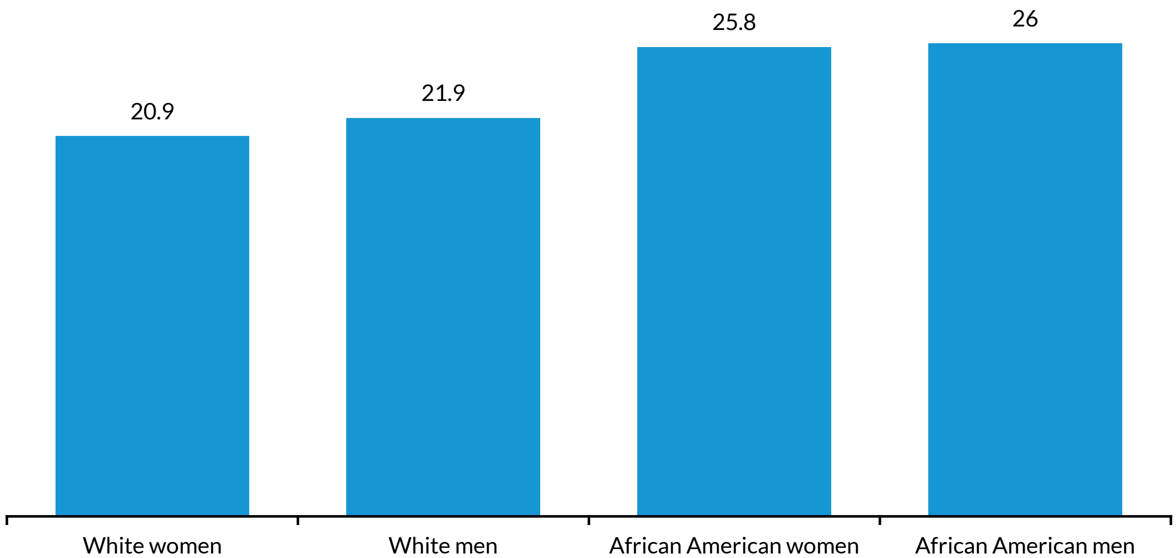
Source: "Table 8. Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino Ethnicity," Bureau of Labor Statistics, accessed March 30, 2019, https://www.bls.gov/cps/cpsaat08.pdf.

Note: Involuntary part-time or part-time workers for economic reasons are people working fewer than 35 hours a week because of insufficient work, poor business conditions, or an inability to find a full-time job. See James W. Fickett, "Part Time for Economic Reasons Background," ClearOnMoney, December 9, 2009, http://www.clearonmoney.com/dw/doku.php?id=public:part_time_for_economic_reasons_background.

FIGURE 17

Unemployment Duration Longer for African American Women Than White Men or Women

Mean number of unemployment weeks by race and gender, 2018



Source: "Table 31. Unemployed Persons by Age, Sex, Race, Hispanic or Latino Ethnicity, Marital Status, and Duration of Unemployment," Bureau of Labor Statistics, accessed March 30, 2019, https://www.bls.gov/cps/cpsaat31.pdf.

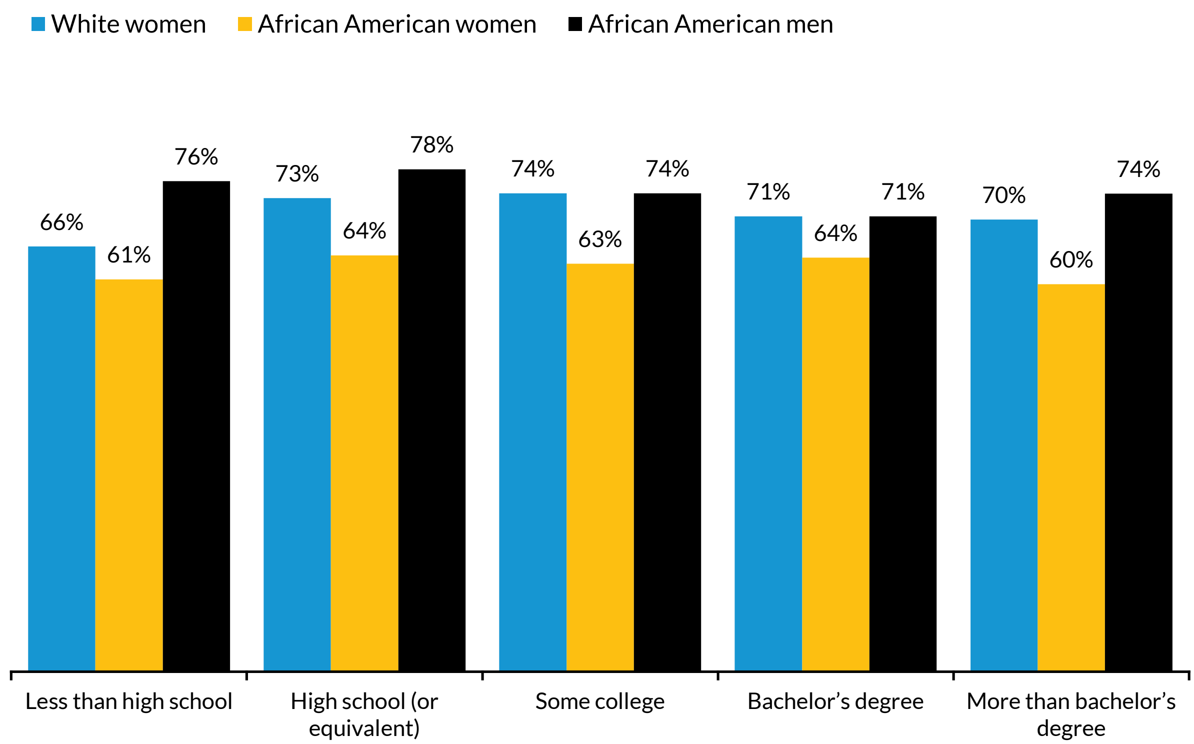
African American women face a gender wage disparity. Gender wage differences declined through the 1980s in part because of the increase in women's completion of higher education—even outpacing men—and obtaining greater work experience (Blau and Kahn 2017). However, gender wage differences have not declined much since then. Occupational segregation is a key factor in gender differences in wages, but gender wage gaps within occupations remain unexplained. Research also shows "a motherhood penalty for women and a marriage premium for men" (Blau and Kahn 2017, 854). The researchers found the unexplained gender wage difference suggests that discrimination, including discrimination against mothers, continues to contribute to this gap.

In addition to the gender wage disparity, African American women encounter a racial wage disparity,[18] and differences in education levels do not explain this disparity (Kane-Williams 2014). Figure 18 shows the median annual wage for full-time workers. At every education level, African American women are paid lower wages than white men, African American men, and white women.

FIGURE 18

African American Women Are Paid Lower Wages Than White Men, African American Men, and White Women at Every Education Level

Median annual earnings of full-time wage and salary workers by race, gender, and highest education level, as a percentage of white men's median wage, 2018 annual averages



Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

African American women have also been confronted with both racial and gender occupational segregation. This was underscored by Conrad (2001), who wrote that during World War II African American women were encouraged to work as domestics so that white women could take manufacturing jobs.

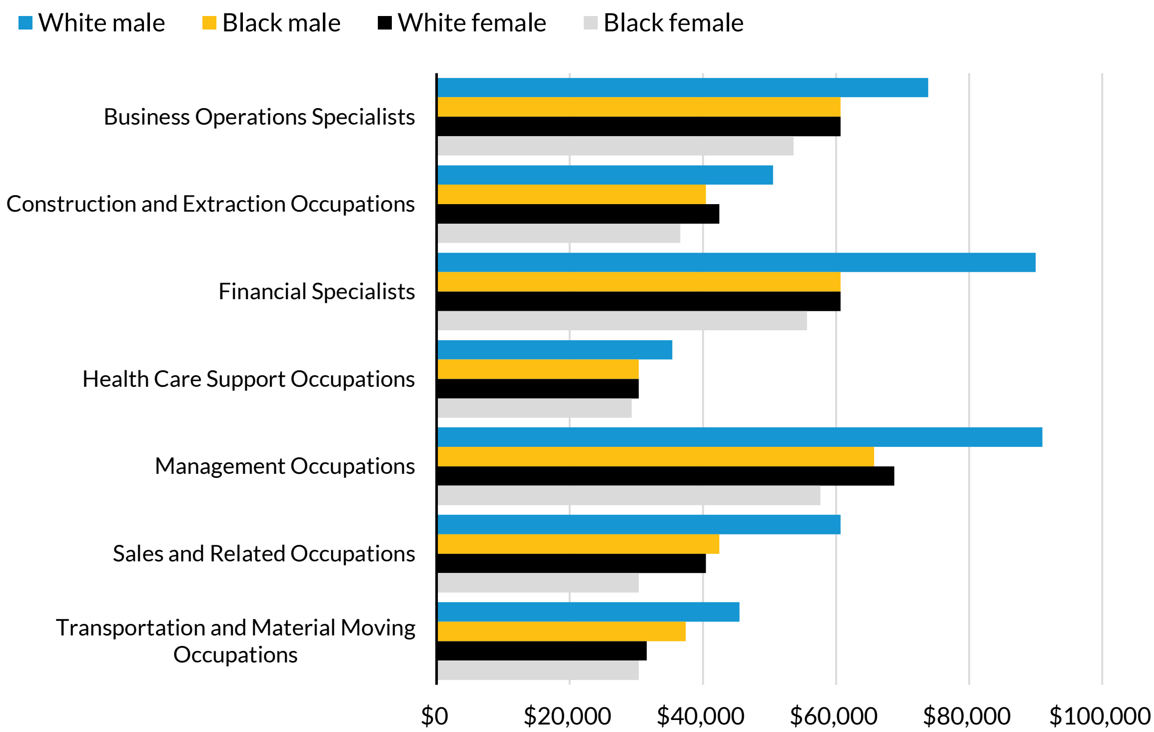
Even when we examine wages within the same occupations, there is a gender and racial wage gap. Figure 19 shows that for each occupation, African American women receive lower wages than men or white women (appendix table A.2).

The Institute for Women's Policy Research (IWPR) estimates that "if change continues at the same slow pace as it has done for the past fifty years, it will take 40 years—or until 2059—for women to finally reach pay parity."[19] For African American women, it will take a century (until 2119).[20]

FIGURE 19

African American Men and Women Are Paid a Fraction of Median Annual Wages Paid to White Men and Women

Median annual wages of full-time, full-year workers ages 25 to 64 by race, gender, and occupation, 2017



Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.
Notes: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

African American Children

Social Security provides an important source of income for many children. Over 3 million children under 18 and students ages 18 to 19 received benefits in 2017 as dependents of workers who died, became disabled, or retired.[21] This is a third greater than the nearly 2 million children who received Temporary Assistance for Needy Families in 2017.[22] And Social Security lifted 1.7 million children out of poverty in 2015, based on the supplemental poverty measure.[23] The only programs that remove more children from poverty than Social Security are the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) and the combination of the earned income tax credit and the child tax credit.

African American children make up a disproportionate share of Social Security child beneficiaries. In 2009, approximately 14 percent of children ages 15 to 17 in the US were African American (Martin and Murphy 2014). By contrast, nearly 20 percent of children ages 15 to 17 receiving Social Security benefits in 2009 were African American. Given the higher rates of premature death and disability among African American workers, it is unsurprising that their children would be more likely to receive survivors' and disability benefits.

Social Security Benefit Adequacy and Financing

The data provided in earlier sections demonstrate that structural barriers in the labor market contribute to less financial security for African American workers. Social Security's program design offers some protections to workers who earn lower wages or experience time out of the labor market. The Social Security benefit is calculated using a progressive formula based on one's highest 35 years of earnings. As a result, lower-wage workers receive a benefit that is a higher percentage of their preretirement wages than higher-wage workers.

Given that African Americans, and African American women in particular, are disproportionately represented among low-wage workers, the progressive benefit formula helps provide a higher benefit than they would otherwise receive. This formula helps reduce the disparity in benefit income by race and gender, and Social Security helps reduce racial wealth disparities (Veghte, Scheur, and Waid 2016).

Although lower-wage workers receive a larger share of their preretirement earnings, higher-wage earners still receive a larger dollar amount. Social Security benefits are modest. As table 1 shows, African Americans received a mean Social Security benefit of just over $9,000 in 2016 and white seniors received less than $12,000. These benefits were never intended to be the sole source of income for seniors, but as previously discussed, occupational segregation limits African Americans' access to employer-sponsored pensions, and lower wages make it harder for many to save sufficient resources on their own. Low-wage workers are still susceptible to poverty even after receiving Social Security. Consequently, additional measures are needed to improve benefit adequacy and protect workers and their families from economic insecurity.

It is not enough, however, to propose changes in benefit adequacy, because Social Security is facing a long-term financing shortfall. The Social Security Trustees (OASDI Board of Trustees 2019) estimate that if no changes are made to the program, it will have sufficient revenue to pay 100 percent of all benefits until 2035. After that, revenue from payroll taxes and other Social Security taxes will cover about 75 percent of benefits, if no action is taken to improve the financing.

Proposed Social Security Changes and Effects

Numerous organizations and commissions have proposed changes for the Social Security program to strengthen the program's financing and improve benefits. Several of these proposals are discussed below, with assessments of their effect on African Americans' well-being. Some proposed changes are estimated to improve the financial status of African Americans and some would make African Americans worse off. The proposals we assess include improving the minimum benefit, restoring benefits through age 22 to children of deceased and disabled workers if they are pursuing postsecondary education, establishing a caregiver credit, increasing the maximum taxable wage, capping the spouse benefit, increasing the retirement age, and replacing the current cost-of-living adjustment with the chained CPI.

Several of the projections we show are drawn from prior analyses conducted by Karen Smith for the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings.[24] She and colleagues use version three of the Urban Institute's Dynamic Simulation of Income Model (DYNASIM3) (Favreault, Smith, and Johnson 2015). Because the analyses were conducted in 2016, that version of the model used the intermediate assumptions of the 2014 Social Security Trustees Report.

BENEFIT IMPROVEMENTS

Establish an effective minimum benefit. One means of ensuring that Social Security recipients do not face poverty is to establish a floor below which benefits would not fall. Under current law, the special minimum benefit—enacted in 1972—aims to provide long-term low-wage earners a benefit higher than what the regular formula would offer. The special minimum is based on the number of years worked but not on the average earnings. In 1979, the benefit's value was linked to a price index, while the initial Social Security benefit's value was linked to a wage index. Since prices generally increase slower than wages, the special minimum benefit's value has declined over time relative to the benefit's value calculated with the regular formula. Consequently, the special minimum benefit is irrelevant for new beneficiaries, because the regular formula provides even low earners with larger benefit amounts than the special minimum formula (Feinstein 2000, 2013).

One group that examined Social Security proposals was the Bipartisan Policy Center's (BPC) Commission on Retirement Security and Personal Savings (2016). This commission proposed the basic minimum benefit (BMB). Beneficiaries who earn low Social Security benefits (up to about $900 for single individuals) would receive a supplement on a sliding scale, starting when they reach full retirement age. Beneficiaries with the lowest regularly calculated benefits would receive the largest BMB amounts. However, the combination of the regular benefit and BMB would be higher for those who have more years of work. To avoid paying additional benefits to beneficiaries with low Social Security benefits but high income from other sources, the BMB also includes a means test. Beneficiaries with adjusted gross incomes above $30,000 for a single adult and $45,000 for married people would have to repay their BMB through the income-tax system. Administering a minimum benefit that requires an annual account of beneficiaries' incomes would be more complicated than using an alternate benefit formula at retirement.

The BMB would replace the Supplemental Security Income (SSI) benefits for eligible Social Security beneficiaries. The BMB would be part of Social Security, would not be resource tested, and would be automatically added to the regular Social Security benefit of workers who qualify, eliminating the need for a separate application. Prior research has found that 40 percent of Social Security beneficiaries who were eligible for SSI in 2002 did not apply (Davies et al. 2001/2002). Automatic enrollment in BMB would more effectively reach Social Security beneficiaries who are at risk of poverty than SSI currently does.

Our projection shows that the BMB would close the Social Security income gap by race for the bottom income quintile of African American and white seniors by 2065. The BMB is projected to increase Social Security benefits at a faster rate for low-income African Americans than for low-income white beneficiaries because of greater eligibility and higher benefit increase conditional on receipt. By

2065, African American seniors in the bottom income quintile would see their Social Security benefits rise by 23 percent, compared with current law (DYNASIM ID912). By contrast, benefits for white seniors would grow by 18 percent. And poverty rates would fall by 47 percent for African American seniors and 41 percent for white seniors, compared with rates under the current law, because a greater share of African Americans would be eligible for and receive higher BMB benefits.

The Social Security Office of the Chief Actuary[25] estimated that this provision would add 0.19 percent of taxable payroll to Social Security's long-term deficit of 2.78 percent of taxable payroll.

Reestablish benefits to children of deceased or disabled workers who are pursuing postsecondary education. Both the BPC Commission (2016) and the Commission to Modernize Social Security (Rockeymoore and Lui 2011) proposed to reestablish benefits for children up to age 22 if they have a deceased or disabled parent and are pursuing postsecondary education. This benefit was established[26] in 1965 and terminated as part of the Omnibus Budget Reconciliation Act of 1981. Under current law, unmarried children can receive benefits through age 18, or until 19 if they are in secondary school.

Benefits to children pursuing postsecondary education were terminated, in part, as a cost-cutting measure during a period of concern about the program's financing. However, the Social Security Office of the Chief Actuary[27] estimated that restoring this provision would add only 0.06 percent of taxable payroll to Social Security's long-term deficit. By comparison, the Social Security Trustees (OASDI Board of Trustees 2019) estimated that the amount by which Social Security benefits will exceed revenue over 75 years is 2.78 percent of taxable payroll.

In addition to cost, this component of the Social Security program proved challenging to administer because of difficulties in verifying a student's educational status. The BPC Commission (2016) and Hertel-Fernandez (2010) suggested that this process could be facilitated through online access to the Free Application for Federal Student Aid.

Restoring benefits to students through age 22 would be particularly valuable to African Americans. As previously shown, African American children are more likely to receive Social Security benefits than white children, given the higher rates of death and disability for African American workers. In 1973, the Social Security Administration conducted a survey of student beneficiaries ages 18 to 21 and found that the beneficiaries were disproportionately African American (17 percent of beneficiaries were African American compared with African Americans making up 11 percent of the population; Springer 1976).

The study also found that student beneficiaries had family incomes much lower than the incomes of nonbeneficiaries' families. About one-half of beneficiaries reported that they needed Social Security to remain in or complete college, and one-third said that if it were not for Social Security benefits, they would not be in college full time.

Social Security benefits for children pursuing higher education have the potential to make a critical difference for African American students. College costs have skyrocketed since these benefits were terminated (Hertel-Fernandez 2010). Structural barriers make it less likely that African American children will have sufficient family income to cover the cost of college without borrowing.[28] These students are more likely to borrow money to go to college and to borrow larger amounts than other students (Baum 2019). Student debt makes African Americans more likely to drop out of college and impedes their economic upward mobility.[29]

Reinstating student benefits could make higher education more affordable and help students remain in and complete their postsecondary education, without detrimental levels of debt. Moreover, public support for this proposed reform is high, with 78 percent of people surveyed favoring it (Reno and Lavery 2009a).

Establish caregiver credits. Social Security benefits improve the economic status of the worker's family, in addition to the worker. One of the times that workers or families may face financial instability is when a family member needs care requiring a worker to be out of the labor market or to take a reduction in pay for fewer or more flexible hours. Typically, women are the ones to serve as caregivers, both for children and other family members (Johnson and Sasso 2001). As stated above, research indicates that there is a motherhood penalty for women in the labor force (Blau and Kahn 2017).

Several proposals have been offered to create a caregiver credit that would allow caregivers to claim Social Security credit for a limited number of the years they provided care (Favreault and Steuerle 2007; O'Leary 2012; Young and Newman 2003), which would increase caregivers' benefits. Former Vice President Al Gore offered such a proposal during his presidential run in 2000.[30] Under this proposal, parents would receive credits for up to five years of caregiving for a child. The credit could have been claimed by parents who were out of the labor market or working part time. Parents would receive credits worth one-half of the average wage, and the amount would be indexed. If a parent worked part time and earned less than one-half of the average wage, they would receive credit for one-half of the average wage. Gore estimated that 8 million parents would benefit, at that time, and most of them would be women. While white women are more likely to be out of the labor force and would have been able to receive the full credit, African American women could have also benefited. They have higher labor force participation rates than white women and may not have the financial flexibility to completely withdraw from the labor market. However, their higher levels of part-time work (including involuntary part time) would have made many of them eligible for such a benefit. And given the lower wages received by African American women, they may have had a greater chance of qualifying for the credit of one-half of the average wage.

Projections by the Social Security Administration show that in 2050, a greater share of African American workers (33 percent) would receive higher benefits from this proposal than white workers (20 percent).[31] Among workers affected by the proposal, African Americans would receive a median benefit increase of 5 percent compared with a 4-percent increase for white beneficiaries.

About 60 percent of workers in poverty would receive higher benefits under this proposal than workers with incomes above the poverty level (25 percent). Among those affected by the proposal, beneficiaries in poverty would receive a 17-percent increase in their benefits while beneficiaries above the poverty level would receive a 4-percent increase in benefits.

The Social Security Office of the Chief Actuary estimated that this provision would add 0.23 percent of taxable payroll to Social Security's long-term deficit of 2.78 percent of taxable payroll.[32]

PROPOSALS TO STRENGTHEN FINANCING

In addition to reducing the likelihood that seniors will experience poverty when they retire, it will be necessary to strengthen the Social Security program's financial health.

Gradually raise the taxable maximum earnings level. One means of increasing the income flowing into the program is to gradually raise the maximum amount of wages that are subject to the Social Security payroll tax (taxable maximum). In 1983, the taxable maximum was 90 percent of national wages. The rate has since declined substantially and is now closer to 83 percent (OASDI Board of Trustees 2018) because wages for higher earners have increased faster than average wages. The maximum amount of taxable earnings for 201933 is $132,900. Most workers pay taxes on all of their earnings, all year long. But workers earning more than this maximum amount pay taxes on less than 100 percent of their income and finish paying taxes before the year is over. Examined annually, this is a regressive feature of Social Security, though the program is progressive overall.

The maximum taxable wage could be raised to cover 90 percent of national wages again. This could be done gradually over a 10-year period and would only affect the top 6 percent of earners in an average year (1 in 5 workers over the course of their careers). Under some proposals, workers who contribute more in payroll taxes would also receive more in benefits. Because payroll taxes would be contributed for many years, in most cases before additional benefits are paid out, increasing the taxable maximum would improve program financing. A survey by the National Academy of Social Insurance (Tucker, Reno, and Bethell 2013) found that the public supported this option by 8 to 1.

A study by Favreault and Haaga (2013) provides some insight into the effect of increasing the taxable maximum. They matched high-quality data from workers' administrative earnings records with data from the Survey of Income and Program Participation (SIPP). Figure 20 shows the share of workers with earnings exceeding the taxable maximum in 2004 and 2009. Far more white men have earnings on which they did not contribute payroll taxes than African Americans or white women. Figure 20 also shows the share of workers whose earnings exceed the taxable maximum if the maximum were increased to 4.5 times the average wage, which approximates 90 percent of the taxable maximum (about $20,000 less than the taxable maximum in 2013).[34] This increase in the taxable maximum was estimated to substantially reduce the share of workers with earnings exceeding the maximum across all groups. Requiring high wage-earners to make payroll tax contributions on a larger amount of their earnings would reduce the regressive aspect of the tax and improve equity.

Workers affected by this proposal would receive higher benefits. The benefit increase is estimated at about 1 percent for African American beneficiaries and 1 percent for white beneficiaries.[35] The proposal would not affect the share of beneficiaries in poverty.

The Social Security Office of the Chief Actuary estimated that the provision to raise the taxable maximum cap over 10 years so that 90 percent of national wages would be covered and additional credits would be provided to affected workers would reduce Social Security's long-term deficit by about 0.79 percent of taxable payroll.[36]

FIGURE 20

Share of Workers Ages 30 to 67 Earning Over the Taxable Maximum or Earning Over 4.5 Times the Average Wage Index at a Point in Time (2004, 2009), by Race and Sex

Source: Melissa M. Favreault and Owen Haaga, *Validating Longitudinal Earnings in Dynamic Microsimulation Models: The Role of Outliers.* (Washington, DC: Urban Institute, 2013), table 2 and table A2-2.

Cap the spouse benefit. A spouse may receive benefits based on his or her own work history or 50 percent of the spouse's benefit, whichever is higher. Given the changing nature of families (Favreault and Steuerle 2007; Stanfield and Nicolau 2000) and the growing share of women in the workforce[37] earning benefits through their own work histories, a change that has been proposed for years is to cap the spouse benefit.

A concern for equity has also driven this proposal (Kijakazi 2002). Under current law, a spouse who spends little or no time in the labor market but is married to a high-wage earner can receive a larger benefit than a spouse who has been in the labor market a long time but is earning low wages and married to a low-wage earner. For example, in 2017, Emily, who never worked outside of the home, received a spouse benefit of $1,105 or 50 percent of her husband's monthly benefit of $2,209, the maximum benefit, when he retired at age 62.38 Michelle and her husband have both worked in low-wage jobs throughout their careers. Michelle's benefit based on her own work history was $772 at age 62, and her husband's benefit based on his work history was the same. Consequently, the highest benefit that Michelle could receive was $772, which is $333 a month less than Emily's.

The BPC proposal (2016) would cap spousal benefits at half of the benefit for a worker earning wages at the 75th percentile of the wage distribution. In addition, the cap would be indexed to prices. This proposal would apply only to new beneficiaries; current beneficiaries would not be affected. The change would primarily affect spouses of high-wage earners and would enhance equity.

The capped spouse provision is projected to reduce Social Security benefits in 2065 for both African American and white beneficiaries by about 2 percent. Under this provision poverty levels are projected to remain approximately the same (DYNASIM3 ID912).

The Social Security Office of the Chief Actuary[39] estimated that this provision would reduce Social Security's long-term deficit by about 0.11 percent of taxable payroll.

DETRIMENTAL CHANGES

There are also proposals that would result in benefit reduction for all seniors.

Increase the full retirement age. Average life expectancy has been trending upward. Consequently, a proposal that has often been put forward to help strengthen Social Security financing is to increase the retirement age. The full retirement age (FRA) is the age at which a person would become eligible for benefits that are not reduced because of early receipt. The FRA has already been gradually increasing as a result of Social Security reforms made in 1983. The FRA is now 66 and six months for those who turn 62 in 2019, and it will rise to 67 for anyone born in 1960 or later. There also is an early retirement age (ERA) of 62, but if a worker retires early, his or her benefit is permanently reduced to compensate for each additional month benefits are received before age 67. Conversely, benefits are increased for every month a worker delays retirement beyond age 67, up to age 70.

The BPC Commission (2016) proposed to increase the FRA from 67 to 69 and the delayed retirement age from 70 to 72 over 48 years. The proposed change would result in an across-the-board benefit cut of about 14 percent compared with benefits under the current law. Beneficiaries would either receive a lower monthly benefit over the same number of months or the same monthly benefit over fewer months; either way their lifetime benefits would be lower if the FRA were increased.

The ERA would not be increased under this proposal; therefore, workers with physically arduous jobs who could not remain in the labor market beyond age 62 could still retire early. However, their benefits would be reduced more than they would under current law to compensate for the additional two years that they could potentially receive benefits—between ages 67 and 69—before they reach full retirement age. If FRA were 69, those retiring at 62 would have their full benefits reduced by about 40 percent.[40] Nearly half (Zajacova, Montez, and Herd 2014) of retirement beneficiaries claim benefits at age 62. Some of these beneficiaries—especially those with lower earnings—are in poor health (Knoll and Olsen 2014) but don't meet the stringent[41] criteria for disability benefits. The proposal to further increase the FRA beyond 67 would result in an across-the-board benefit reduction, but it would not affect beneficiaries of the Social Security Disability Insurance program. African American workers who do not receive DI may still be particularly hard-hit by this proposal. Older African American workers experience higher rates of unemployment and report poorer health than older white workers, and they may not be able to remain in these jobs beyond the ERA of 62 or until the FRA of 67 or higher.[42] In addition, this change is premised on longer life expectancy, but African American workers have shorter life expectancy than white workers, on average (as discussed above). Furthermore, lower earners (among whom African Americans are overrepresented) have not shared equally in recent gains in average life expectancy (Bosley, Morris, and Glenn 2018).

The proposed increase in the retirement age is projected to reduce Social Security benefits in 2065 for both African American and white beneficiaries by about 6 percent (DYNASIM3 ID912). In addition, under this provision, the poverty level for African American seniors would increase by about one percentage point and the level for white elders would remain about the same.

The Social Security Office of the Chief Actuary[43] estimated that this provision would reduce Social Security's long-term deficit by about 0.50 percent of taxable payroll.

Replace the current cost-of-living adjustment with the chained CPI. Another proposed measure to reduce the cost of Social Security has been to change the methodology for determining the cost-of-living adjustment (COLA) for benefits.[44] The COLA compensates for inflation by increasing benefits annually (when there is measured inflation). Calculating the COLA with the chained Consumer Price Index (CPI), rather than the traditional CPI, is often presented as a purely technical correction, but using the chained CPI would reduce the amount by which the COLA increases each year.

Moreover, some argue that the CPI-E, designed to measure the expenses of older adults, is more accurate. The chained CPI does not account for the magnitude of some expenses experienced by them, such as out-of-pocket health care costs, making it less appropriate for calculating their COLA (Walker 2013) because it underestimates their overall costs.[45]

By 2065, the projected effect of the chained CPI would be a reduction in the mean Social Security benefit by 4.4 percent for African American seniors and 4.7 percent for white seniors, compared with scheduled benefits under current law (DYNASIM3 ID912). And poverty is projected to rise among African American seniors by about 10 percent and by approximately 11 percent among white seniors.

The Social Security Office of the Chief Actuary[46] estimated that this provision would reduce Social Security's long-term deficit by about 0.47 percent of taxable payroll.

Summary

The majority of African American workers were not covered by the Social Security program at its inception, but changes to the program over subsequent decades have made it nearly universal and an integral part of economic security for many African American families. However, racial and gender discrimination that persist in the labor market result in racial disparities in program benefit levels that leave a disproportionate share of African Americans in poverty.

This brief examines the proposed options not only to increase benefit adequacy and equity, but also to improve the program's financial health. The assessment of these options indicates that the financial security of beneficiaries, especially African Americans, would be substantially improved by the basic minimum benefit, the reinstatement of benefits up to age 22 for children of deceased and disabled workers pursuing higher education, and the establishment of caregiver credits. We examined the effects of restoring the taxable maximum to 90 percent, capping spouse benefits to help pay for these improvements, and improving the program's long-term financing. The 90-percent taxable maximum would substantially reduce the share of high-wage earners with wages that exceed the payroll tax maximum, improving equity. Capping the spouse benefit would primarily affect spouses of new beneficiaries who are high-wage earners, also advancing equity. Finally, we studied the options to further raise the full retirement age and convert to the chained CPI and found that they would have detrimental effects on the financial status of beneficiaries and raising the FRA would be particularly harmful for African American families.

This research aims to inform efforts to enhance beneficiaries' financial well-being and the Social Security program itself, as well as make the program more equitable now and in the future.

Appendix

TABLE A.1

African Americans Are Paid Lower Annual Earnings Than White Peers in Most Occupations

Median annual wages by selected occupational category and race, 2017

Category	White	African American
Architecture and engineering occupations	$82,917	$70,783
Arts, design, entertainment, sports, and media occupations	$57,638	$55,615
Building and grounds cleaning and maintenance occupations	$33,369	$25,280
Business operations specialists	$65,727	$55,615
Community and social services occupations	$47,526	$42,470
Computer and mathematical occupations	$82,917	$70,783
Construction and extraction occupations	$50,559	$40,448
Education, training, and library occupations	$50,559	$43,987
Extraction workers	$58,649	$54,604
Farming, fishing, and forestry occupations	$35,392	$27,302
Financial specialists	$70,783	$56,627
Food preparation and serving occupations	$25,280	$23,561
Health care practitioners and technical occupations	$65,727	$50,559
Health care support occupations	$30,336	$29,830
Installation, maintenance, and repair workers	$50,559	$40,448
Legal occupations	$91,007	$75,839
Life, physical, and social science occupations	$68,761	$60,671
Management occupations	$80,895	$60,671
Military-specific occupations	$60,671	$50,559
Office and administrative support occupations	$39,942	$35,392
Personal care and service occupations	$29,324	$25,583
Production occupations	$45,402	$35,392
Protective service occupations	$60,671	$40,650
Sales and related occupations	$52,582	$35,392
Transportation and material moving occupations	$42,470	$35,392

Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

Notes: Includes adults ages 25–64 working 35 or more hours a week and 50–52 weeks a year.

TABLE A.2

African American Women Are Paid Lower Annual Earnings Than Men and White Women in Most Occupations

Median wages by selected occupational category, sex, and race, 2017

Category	White male	Black male	White female	Black female
Architecture and engineering occupations	$85,951	$71,794	$72,806	$62,694
Arts, design, entertainment, sports, and media occupations	$60,671	$56,627	$52,582	$50,559
Building and grounds cleaning and maintenance occupations	$36,403	$28,313	$24,572	$22,246
Business operations specialists	$73,817	$60,671	$60,671	$53,593
Community and social services occupations	$50,559	$44,492	$45,504	$42,470
Computer and mathematical occupations	$85,951	$70,783	$72,806	$65,727
Construction and extraction occupations	$50,559	$40,448	$42,470	$36,605
Education, training, and library occupations	$60,671	$48,537	$49,548	$42,268
Extraction workers	$60,671	$54,604	$57,638	SUPPRESSED
Farming, fishing, and forestry occupations	$36,403	$27,302	$29,324	$23,257
Financial specialists	$89,996	$60,671	$60,671	$55,615
Food preparation and serving occupations	$30,336	$25,280	$23,460	$21,235
Health care practitioners and technical occupations	$80,895	$53,593	$60,671	$50,559
Health care support occupations	$35,392	$30,336	$30,336	$29,324
Installation, maintenance, and repair workers	$50,559	$41,257	$46,515	$40,448
Legal occupations	$126,399	$97,074	$68,761	$64,716
Life, physical, and social science occupations	$75,839	$60,671	$62,694	$60,671
Management occupations	$91,007	$65,727	$68,761	$57,638
Military-specific occupations	$60,671	$52,582	$52,582	$48,537
Office and administrative support occupations	$45,504	$37,414	$37,414	$35,392
Personal care and service occupations	$36,908	$28,313	$26,291	$25,280
Production occupations	$48,537	$38,425	$32,763	$30,336
Protective service occupations	$60,671	$45,504	$46,515	$38,425
Sales and related occupations	$60,671	$42,470	$40,448	$30,336
Transportation and material moving occupations	$45,504	$37,414	$31,549	$30,336

Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

Notes: Includes individuals ages 25–64 working 35 or more hours a week and 50–52 weeks a year.

Notes

[1] The worker in this example is assumed to have had earnings from ages 21 to 29 equal to the earnings of the medium-scaled worker. Scaled worker earnings are hypothetical earnings histories used by the Social Security Administration to illustrate benefit levels (Michael Clingman, Kyle Burkhalter, and Chris Chaplain. "The Present Value of Expected Lifetime Benefits for a Hypothetical Worker Dying or Becoming Disabled at Age 30," unpublished memo from the Social Security Administration, Washington, DC, 2018.).

[2] Bee and Mitchell (2017) argue that using data from the Current Population Survey Annual Social and Economic Supplement linked with several sources of administrative income records provides a better estimate of poverty and income because survey respondents tend to underreport their retirement income. For 2012, Bee and Mitchell found that 14 percent of African Americans ages 65 and older had incomes below the federal poverty level compared with 6 percent of white seniors.

[3] Bee and Mitchell (2017) estimate that in 2012 income for African Americans ages 65 and older was $32,224 compared with $46,811 for white seniors.

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Acknowledgments

This brief was funded by The Center on Budget and Policy Priorities (CBPP). We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

We would like to thank to Paul Van de Water and Kathleen Romig from CBPP and Melissa Favreault from the Urban Institute for their careful review of the draft reports. And we would like to thank Erica Blom and Cary Lou for their data analysis, Devon Genua for her assistance with graphics, and Liza Hagerman for her editing of this document.

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